

Sustainability.

The sustainability policy at LBBW comprises the guidelines for sustainable development in the areas of corporate governance, business operations, human resources and communication, as well as for social commitment. The current sustainability policy was approved upon by the Board of Managing Directors on February 9, 2010 and replaced the first version from 2006. The sustainability policy is underpinned by the sustainability guidelines. These serve as a point of orientation for the implementation of sustainability goals in the investment and lending business, human resources policy and in dealing with natural resources.

The sustainability management system is applicable to LBBW including the regional customer banks BW-Bank, Rheinland-Pfalz Bank and Sachsen Bank as well as the subsidiary companies Gastro Event GmbH, LBBW Immobilien GmbH (including BW-Immobilien GmbH) and LBBW Asset Management Investmentgesellschaft mbH.

A comprehensive account of LBBW's commitment to sustainability is presented annually in the sustainability report. The 2010 report can be downloaded at <http://nachhaltigkeit.lbbw.de>.

Sustainability in the Core Business.

LBBW offers its private and institutional customers an extensive portfolio of sustainable products. In this way, LBBW supports its customers in the responsible, ecological and social investment of their assets.

Sustainable Investment Products.

- LBBW Asset Management Investmentgesellschaft mbH was recognized for its many years of experience and expertise in the field of sustainable mutual funds and awarded the 2010 ESG Award (Environmental, Social and Corporate Governance Issues) as best sustainable asset manager in Germany.
- LBBW Nachhaltigkeit Aktien was awarded with the best mark of »2n« in the Newcomer category in the rating by the Euro Advisor Service in October 2010. With LBBW Nachhaltigkeit Aktien, the selection of securities is based on social, cultural, ethical and environmental criteria. The investment universe is composed on the basis of the sustainability rating given by oekom research AG of Munich.
- LBBW Nachhaltigkeit Renten, which was set up for institutional customers in September 2009, has been accessible for private customers as well since March 2010. It invests in government bonds, covered bonds and corporate bonds of companies or states that act in a more sustainable way than the average. Here, too, LBBW cooperates with analysts at oekom research AG when selecting the securities.
- Both LBBW Nachhaltigkeit Aktien and LBBW Nachhaltigkeit Renten bear the European transparency logo for sustainable mutual funds. This is awarded to products for which the investment criteria, research methods and investment policy have been made public, thereby strengthening the trust of investors.

- Since 2002, LBBW Asset Management Investmentgesellschaft mbH has also offered sustainable special funds for institutional customers.
- LBBW Global Warming achieved second place on a three-year basis at the 2010 Goldener Bulle Fund Awards presented by EuroFinanzen. It received an AA+ rating from the Telos rating agency. It also received five stars from FWW Funds Stars (July 6, 2010) and five leader points from Lipper (July 6, 2010).
- LBBW has financed renewable energy products for many years now. With the BW EcoSparbrief offered in March and April 2010, customers had an opportunity to become directly involved in this sector. Under the slogan »Rendite mit gutem Gewissen« (returns with a clear conscience), BW-Bank conducted a broad-based campaign to inform its customers about the opportunities for investing money in a sustainable way.
- BW Bank's asset management team applies sustainability-oriented criteria in selecting investments for portfolios upon request. To this end, an updated investment universe is supplied quarterly by the rating agency oekom research AG, which BW Bank's asset managers use to select investments for individual portfolios.
- In 2010, LBBW issued a certificate relating to sustainability. »LBBW Safe-Anleihe mit Cap« (start: March 1, 2010) combines the characteristics of sustainable financial investment with a high level of security. The bond is based on the EURO STOXX Sustainability Index, on which as well as economic factors, the selection of companies is conducted in accordance with environmental and social criteria.

Financing.

In addition to our sustainable financing options (»classic« project financing for the renewable energies sector, structured financing solutions for smaller photovoltaics installations up to EUR 10 million, funding advice, arrangement of energy consulting services for private customers), the focus in 2010 was on the further implementation of the sustainability guidelines in the lending business. Various measures have been implemented in the operating business over the course of the year. The most significant of these measures is a new auditing process for sector/country risks in lending. The aim is to identify critical sector/country combinations and thus recognize and analyze sustainability risks in good time.

Sustainable Operations.

In passing the guidelines for sustainable handling of resources, LBBW has committed to reducing CO₂ emissions, among other targets. For example, energy consumption should be reduced by optimizing building technology and IT hardware in data centers and the workplace. In terms of building technology, a clear trend reversal is yet to succeed. However, the IT department and the Operations work group have projected and implemented further measures intended to limit the use of energy in IT. The first successes can already be seen. After years of increasing energy consumption in the data centers, LBBW achieved consolidation in 2009.

Sustainable Human Resources Policy.

Even in the current difficult situation – that is, despite the financial market crisis and the job cuts necessary as part of the restructuring at LBBW – we intend to adhere to the principles of a sustainable human resources policy. Even in testing times, employees must be promoted and developed in order to be equipped for current and future challenges. Further information can be found in the Management Report from page 43.

Certification.

LBBW has pledged to comply with the ISO 14001 standard and the Eco-Management and Audit Scheme (EMAS) standard. The aim of EMAS is to improve environmental performance beyond the legal guidelines and to inform the public about it.

The implementation of the standard and the regulation was once again checked in an internal and external environmental audit in 2010. The audit showed that LBBW's environmental management system complies fully with the requirements of the EMAS regulation and ISO 14001.

Sustainability Ratings.

- In May 2010, Munich-based **oekom research AG** rated the LBBW C overall on a scale of A+ (best) to D- (worst). With this result, it is placed above the minimum value for sustainable capital investments in the financial services sector as defined by oekom and is classified as Prime. In the sector analysis of August 2010, a total of 37 savings, cooperative, state and regional banks were inspected with regard to their social and environmental commitment. LBBW achieved third place. Among German banks, it was ranked first.
- In the **Sustainalytics** sustainability rating of March 2010, LBBW received 70 out of 100 points. With this rating, LBBW is therefore in second place out of 76 non-listed financial institutions at international level (as at March 2010).
- **vigeo group** evaluated LBBW in April 2010. Sustainability performance was above the sector average.
- In its 2010 sustainability rating, **imug** assessed LBBW positively as an issuer of public-sector covered bonds and mortgage-backed covered bonds.
- In the **Triodos Bank** rating of non-listed financial institutions for 2010, LBBW achieved third place out of 13. However, LBBW was not included in Triodos Bank's sustainable investment universe.